



CITY OF DURHAM | NORTH CAROLINA

Date: April 3, 2012

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Interim Director
Department of Community Development
Subject: Approval of the FY 2012-13 Annual Action Plan

Executive Summary

On April 16, 2012, the Durham City Council will hold a public hearing to receive citizen comment on the Draft FY12-13-Annual Action Plan for the use of Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Emergency Solutions Grant (ESG) funds. The Durham County Board of Commissioners will hold a public hearing on the Draft Plan and approval of the Plan on April 23, 2012.

The regulations of the U.S. Department of Housing and Urban Development (HUD) require that the approved Annual Action Plan be received in the respective HUD Field Offices no later than May 15, 2012.

Recommendation

The Department of Community Development recommends that City Council approve the FY 12-13 Annual Action Plan for the use of CDBG, HOME, and ESG funds for submission to the U.S. Department of Housing and Urban Development (Attachment A), authorize the City Manager to execute all administrative requirements and contractual documents necessary for implementation of the Annual Action Plan to include all CDBG, HOME and ESG program agreements and related documents, adopt the City of Durham/U.S. Department of Housing and Urban

Development Community Development Block Grant project ordinance in the amount of \$1,738,531.00 (Attachment B), adopt the City of Durham/U.S. Department of Housing and Urban Development HOME Investment Partnerships Program/ grant project ordinance in the amount of \$1,205,207.00 (Attachment C), and adopt the City of Durham/U.S. Department of Housing and Urban Development Emergency Solutions Grant project ordinance in the amount of \$152,760.00 (Attachment D).

Background

As an entitlement city, Durham has been the recipient of CDBG funds since 1975 and HOME Consortium funds since 1992. CDBG funds have primarily been used for housing activities, public services, code enforcement and public infrastructure. HOME Consortium funds have been used for affordable housing activities as required by HOME program regulations. Durham has also been a recipient of Emergency Shelter Grant funds presently known as the Emergency Solutions Grant funds from HUD. The change in the program's name reflects the change in the program's focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

The Annual Action Plan is Durham's application to the U.S. Department of Housing and Urban Development for the upcoming fiscal year's funding and outlines the actions Durham is taking with HUD-awarded funds to meet the goals as described in the 2005-2010 Five Year Consolidated Plan. HUD regulations require that the City submit the Council-approved Annual Action Plan by May 15th.

The Five-Year Consolidated Plan identified the following priorities for housing related activities:

1. Neighborhood Stabilization and Revitalization;
2. Special Needs Housing;

Issues/Analysis

Both CDBG and HOME funds are used to support ongoing homeownership, housing rehabilitation/repair, code enforcement and other initiatives administered by the Department of Community Development and the Department of Neighborhood Improvement Services. The balance of that funding and the ESG funding received are allocated through a competitive application process. An application workshop was held on November 14, 2011 and applications for competitive funding were received on

December 19, 2011.

All applications for CDBG, HOME, and ESG funding were evaluated by not less than three Community Development project managers based on the established review criteria delineated in the respective application guidelines. Each of the three project managers then presented their individual evaluations of the applications to an internal Departmental panel consisting of the Associate Director for Production and all other project or program managers. In addition to discussing the strengths and weaknesses of each application, the panel took into consideration such factors as the cumulative 15% cap on CDBG funding for public services, the minimum 15% set aside requirement for HOME CHDO funding and funding caps internal to the ESG program.

From this series of panel deliberations, a recommended balanced budget for all three funding sources emerged which was then presented to the Director of Community Development and subsequently forwarded to the City Manager for approval. The funding recommendations for the three HUD entitlement programs were then presented to the Citizens Advisory Committee (CAC) at its February 27, 2012 meeting. Subsequent to that meeting, the Department provided supplemental data to the CAC concerning the funding recommendations. Upon review and evaluation of all the applications and supplemental data, the CAC voted to support the funding recommendations outlined in the Annual Action Plan as submitted.

As a part of the competitive application process, the Department also solicited applications proposing to create permanent supportive housing for formerly homeless persons with special needs or to complete previously assisted projects in Southwest Central Durham (SWCD) or Northeast Central Durham. This solicitation was consistent with the funding strategy presented to Council in March 2011 which proposed \$437,500.00 annually in general funds over a four-year period to complete previously assisted projects and a general fund appropriation of \$250,000.00 for permanent supportive housing. Applications were received from Durham Community Land Trustees (DCLT), Builders of Hope (BOH), the Historic Preservation Foundation of NC and Habitat for Humanity of Durham for funding to complete previously assisted projects. Recommended funding to DCLT and a portion of the recommended funding to BOH is included in the HOME funding recommendations in order to fulfill the CHDO set aside requirement. The balance of the funding recommended to BOH and the recommended funding to Habitat for Humanity of Durham and the Historic Preservation Foundation of NC is shown in

the attached chart. Also included in the chart is a conditional recommendation of funding to Housing for New Hope for the development of 10 units of permanent housing for formerly homeless persons with special needs. The total amount of recommended general funds is \$563,000.00.

Alternatives

In order to receive CDBG, HOME and ESG funds and remain in compliance with federal regulations, the participating jurisdiction must hold two public hearings prior to the submission of its Annual Action Plan in May to HUD. The only flexibility that the City has is in determining the dates for the public hearings. Failure to approve and submit the Plan to HUD before May 15, 2012 will jeopardize the receipt of funding.

Financial Impact

The HOME Consortium will be required to provide a 25% match (non-federal funds) to the total amount of HOME fund used directly for affordable housing activities. The FY 12-13 required match will be approximately \$172,776.60. The match requirement has already been met by carry-over from prior fiscal years.

The required \$152,760.00 ESG match will be met in two ways. ESG subrecipients are required to provide a cash or in-kind match as per the program regulations. The match for the Department of Community Development administrative allowance is general funds used for staff salaries to support those functions.

SDBE Summary

Not applicable to this item.